(2)

Supreme Court, U.S.
FILED
MAR 18 2004
OFFICE OF THE CLERK

No. 03-1163

In The Supreme Court of the United States

WYETH HOLDINGS CORPORATION,

Petitioner,

v.

THE UNIVERSITY OF COLORADO FOUNDATION, INC., THE UNIVERSITY OF COLORADO, THE BOARD OF REGENTS OF THE UNIVERSITY OF COLORADO, ROBERT H. ALLEN AND PAUL A. SELIGMAN,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

MARK A. LEMLEY
Counsel of Record
KEKER & VAN NEST, L.L.P.
710 Sansome Street
San Francisco, CA 94111-1704
(415) 391-5400

HAROLD A. HADDON
SASKIA A. JORDAN
TY GEE
HADDON, MORGAN, MUELLER, JORDAN, MACKEY & FOREMAN, P.C.
150 East 10th Avenue
Denver, CO 80203
(303) 831-7364

ROBERT N. MILLER
STEPHANIE E. DUNN
PERKINS COIE LLP
1899 Wynkoop Street, Suite 700
Denver, CO 80202
(303) 291-2300

COCKLE LAW BRIEF PRINTING CO. (800) 225-6964
OR CALL COLLECT (402) 342-2831

TABLE OF CONTENTS

	Page
INTRODUCTION	1
STATEMENT OF FACTS	2
A. The University doctors' invention	2
B. Cyanamid's plagiarism of the doctors' confidential manuscript, and Cyanamid's fraudulent patent application	4
C. Cyanamid's acquisition, enforcement, and concealment of the patent	6
D. The award of equitable remedies for unjust enrichment	7
REASONS FOR DENYING THE PETITION	9
I. Cyanamid misapprehends this Court's approach to patent law preemption	9
A. As this Court has held for nearly half a century, the Patent Act does not preempt the field of invention	9
B. This case presents no conflict between state law and federal patent law	13
II. The existence of other patent remedies is irrelevant	19
III. The judgment is entirely fair, and is consistent with the policies of unjust enrichment	21
IV. This is not a proper case for *certiorari* review	23
A. The district court awarded unjust enrichment alternatively under state and federal law	23

TABLE OF CONTENTS – Continued

Page

B. This case does not present an inter- or intra-circuit split, or even an issue of continuing importance 27

C. The preemption issue is not squarely presented 28

CONCLUSION 30

TABLE OF AUTHORITIES

Page

CASES

Agostini v. Felton, 521 U.S. 203 (1997) 28

Arachnid, Inc. v. Merit Indus., Inc., 939 F.2d 1574 (Fed. Cir. 1991) 24, 25, 26

Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476 (1964) 25

Aronson v. Quick Point Pencil Co., 440 U.S. 257 (1979) 10, 11, 12, 13, 18, 19

Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141 (1989) ..... *passim*

Chauffeurs, Teamsters & Helpers, Local No. 391 v. Terry, 494 U.S. 558 (1990) 25

Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964) 11

Davis v. United States, 495 U.S. 472 (1990) 29

Dow Chem. Co. v. Exxon Corp., 139 F.3d 1470 (Fed. Cir. 1998) 27

EarthInfo, Inc. v. Hydrosphere Resource Consultants, Inc., 900 P.2d 113 (Colo. 1995) 22, 23

Goodman v. Lukens Steel Co., 482 U.S. 656 (1987) 2

Great-West Life Annuity Ins. Co. v. Knudson, 534 U.S. 204 (2002) 24

Hunter Douglas, Inc. v. Harmonic Design, Inc., 153 F.3d 1318 (Fed. Cir. 1998) 27

Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470 (1974) ..... *passim*

McCray v. New York, 461 U.S. 961 (1983) 25

TABLE OF AUTHORITIES – Continued

Page

Papazian v. American Steel & Wire Co., 155 F. Supp. 111 (N.D. Ohio 1957) 25, 26

Pfaff v. Wells Elecs., Inc., 525 U.S. 55 (1998) 15, 18, 22

Randall v. Loftsgaarden, 478 U.S. 647 (1986) 23

Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964) 11, 12

University of Colo. Found., Inc. v. American Cyanamid Co., 529 U.S. 1130 (2000) 20

Wisconsin Dep't of Indus., Labor & Human Relations v. Gould, Inc., 475 U.S. 282 (1986) 17

STATUTES

19 U.S.C. § 1337 12

35 U.S.C. § 256 ..... 2, 20, 24, 26

35 U.S.C. § 283 12

35 U.S.C. § 284 12

35 U.S.C. § 285 12

OTHER AUTHORITIES

1 Dan B. Dobbs, *Law of Remedies* § 4.1(1) (2d ed. 1993) 22

INTRODUCTION

Wyeth Holding Corporation f/k/a American Cyanamid Company ["Cyanamid"] stole the invention of two respected doctors, plagiarized, cut and pasted portions of a confidential manuscript drafted by the doctors into a patent application to obtain a patent on the invention it stole, committed perjury in a sworn statement to the Patent and Trademark Office, fraudulently concealed its theft from the true inventors for years, enforced the plagiarized patent against generic competitors and presented a key witness at trial whom the district court found "utterly lacking in credibility." Yet, after nearly eleven years of litigation, Cyanamid now requests this Court to relieve it from any consequences for its conduct under the guise that the equitable remedy awarded by the district court and affirmed by the Federal Circuit is preempted. Such is not the case.

Cyanamid's sanitized petition warns that a constitutional crisis looms in the patent system. Cyanamid can create this illusion only by completely disregarding the extraordinary facts of this case – facts found by the district court and affirmed by the Federal Circuit. Once Cyanamid's egregious misbehavior is reviewed, it becomes clear that the district court's unjust enrichment remedy is nothing more than the straightforward application of traditional principles of equity and is entirely consistent with both this Court's and the Federal Circuit's patent jurisprudence.

This is not a case in which this Court is being asked to resolve a conflict between circuits, or even tension between different opinions in the same circuit. Under the clear direction of this Court's precedents, the Federal Circuit has created a consistent set of patent preemption rules. This Court should be loath to disturb such rules without

good reason to do so. No such reason appears here, where the application of existing law to the unique facts of this case compels the result reached by the district court and the Federal Circuit. Indeed, if anything, it is Cyanamid's novel proposed blanket preemption rule that would precipitate a crisis in the patent system by allowing inventions to be stolen with impunity.

Further, even were this Court to conclude that the Federal Circuit's consistent application of preemption principles in patent cases required the attention of this Court, this is not the case to review those principles. The district court rested its judgment on two alternative grounds in addition to unjust enrichment – § 256 of the Patent Act (35 U.S.C. § 256 (2000)) and Colorado common law fraud. Moreover, Cyanamid failed to properly raise these issues at trial and on appeal. Thus, this Court should be especially reluctant to intervene in this case.

STATEMENT OF FACTS

Absent unique circumstances, facts found by the district court and affirmed on appeal are accepted as true before this Court. *E.g., Goodman v. Lukens Steel Co.*, 482 U.S. 656, 665 (1987). Cyanamid improperly ignores the extraordinary facts of this case, which include brazen plagiarism, fraud, concealment and perjury.

A. The University doctors' invention.

In the late 1970s, Stuart Pharmaceutical's Stuartnatal 1+1 and Cyanamid's Materna were the two leading prescription prenatal supplements on the market, with each product commanding 40% to 45% of the market. Pet. App. 3a.

In 1979, Stuart representatives began telling physicians and pharmacists that, due to its chemical composition, Stuartnatal provided superior iron absorption to that of Materna. To refute these claims and to protect Cyanamid's lucrative share of the prenatal supplement market, Leon Ellenbogen, a Cyanamid employee, asked Dr. Robert H. Allen, his long-time friend and professional colleague to perform a study comparing the iron absorption of Materna to that of Stuartnatal. Pet. App. 3a.

In summer 1979, Drs. Allen and Seligman [collectively "University doctors"], conducted the first study. The results showed poor iron absorption for both Materna and Stuartnatal. That is, although iron is important for pregnant women, pregnant women using Materna or Stuartnatal would not absorb an adequate amount of iron from either multivitamin. Nonetheless, Cyanamid was pleased with the results, as they disproved Stuart's sales pitch. Pet. App. 85a. Cyanamid was uninterested either in further studies to determine the cause of the poor iron absorption or in reformulating its product to address the iron absorption problem. *See* Pet. App. 161a.

Because of their concern about the iron absorption problem of the leading prenatal multivitamin brands and the consequences for the health of pregnant women, the University doctors conducted additional studies, independent of Cyanamid, to determine the cause and solution of the problem. They discovered that the large amounts of calcium carbonate and magnesium oxide contained in Materna inhibited iron absorption, and that Materna would provide pregnant women with adequate iron absorption if the amounts of calcium carbonate and magnesium oxide were reduced. Based on the doctors' discovery, Cyanamid reformulated Materna. Pet. App. 4a-6a, 89a.

Applying the federal standard for inventorship, the district court found that the University doctors "conceived of, designed and conducted" the independent studies that led to the discovery of the cause and solution of the iron absorption problem. It found that "the idea for reformulating Materna, and the research concepts and ideas necessary to its formation and testing, were *entirely* the Doctors'." Pet. App. 89a. In an oral ruling, the court found that Ellenbogen had nothing to do with the University doctors' discovery, noting "I found then, and I continue to believe Dr. Allen . . . I did not believe and continue to disbelieve . . . Ellenbogen."

B. Cyanamid's plagiarism of the doctors' confidential manuscript, and Cyanamid's fraudulent patent application.

Based on their discovery of the iron absorption problem, the cause of the problem and the solution to the problem, the University doctors prepared a manuscript summarizing the results of their studies and their discovery. The manuscript was submitted to the NEW ENGLAND JOURNAL OF MEDICINE in July 1981. Pet. App. 5a. Consistent with their long-standing professional practice, Dr. Allen sent Ellenbogen a copy of the manuscript with the understanding it would be kept confidential. Pet. App. 5a & n.3. In addition to the text, the manuscript contained a detailed table and four figures describing the doctors' studies. Ellenbogen knew the manuscript, including the table, figures and text, was confidential and could not be used or copied without Dr. Allen's express prior approval. At no time did the doctors authorize Ellenbogen or Cyanamid to copy or disclose the confidential manuscript or the distinctive format in which the data from the critical studies were depicted. *See* Pet. App. 164a.

The district court found that "within days" of receiving the confidential manuscript, and without the knowledge or consent of the University doctors, Ellenbogen filled out a company "Record of Inventorship" form claiming he invented the reformulated Materna. Cyanamid then filed a patent application listing Ellenbogen as the "sole inventor." Pet. App. 6a, 90a. The patent application was plagiarized from the University doctors' confidential manuscript, without any attribution to either the University doctors or the manuscript. Pet. App. 6a, 28a, 41a, 90a, 109a, 165a. Cyanamid copied the text of the manuscript and literally cut and pasted the table in its entirety into the patent application. Pet. App. 124a-133a. Cyanamid also traced all four figures contained in the manuscript into its patent application, leading the district court to remark, "[t]he completeness, and obviousness, of the wholesale lifting of the Doctors' work in Table I and figures 1-4 cannot be overstated." Pet. App. 19a, 109a. Cyanamid submitted the plagiarized patent application to the PTO, and Ellenbogen submitted a false affidavit of inventorship swearing he was the true and sole inventor. Pet. App. 90a.

Ellenbogen spun a "web of deceit," Pet. App. 94a, around the patent application from the beginning. He committed perjury on the stand. In reviewing his testimony, the district court stated: "I . . . repeat, in the strongest of terms, that I did not believe Dr. Ellenbogen at trial and continue to disbelieve him now. My review of the testimony at trial and reconsideration of all the evidence in light of the post-trial briefs and arguments serves to intensify my finding that Ellenbogen is utterly lacking in credibility." Pet. App. 115a-116a. "I found Ellenbogen's testimony lacking in credibility based on my careful consideration of his demeanor. I found Ellenbogen misrepresented to Raymond, Cyanamid's patent lawyer, and to Cyanamid generally his role in the Studies and in their

design, and in the design and conception of the invention ultimately patented." Pet. App. 16a (quoting Pet. App. 116a).

C. Cyanamid's acquisition, enforcement, and concealment of the patent.

In February 1984, Cyanamid obtained a patent on the reformulated Materna ["the '634 Patent"]. Subsequently, Cyanamid aggressively wielded the '634 Patent to exclude generic competition with Materna, suing six generic competitors and obtaining stipulated injunctions against them. *See* Pet. App. 7a.

At the same time, Cyanamid concealed the existence of the patent from the University doctors. The district court found that Cyanamid and Ellenbogen were careful not to communicate anything to the University doctors about the patent or the award Ellenbogen received for it from Cyanamid until Ellenbogen in 1993 inadvertently mentioned the patent to Dr. Seligman. Pet. App. 91a. The district court found that this concealment, which continued for nine years, was "[c]ontrary to the established routines of their friendship." Pet. App. 165a. Cyanamid's efforts to conceal the patent were so great that when it sent samples of reformulated Materna to the University doctors in 1985, it was careful to apply a sticker reading "For Investigational Use Only" so that it covered the patent notice. Pet. App. 167a.

Shortly after the doctors learned of the patent, they commenced this action. After a six-week bench trial in 1996, the district court found by clear and convincing evidence that the doctors were the true inventors of the '634 invention, and entered judgment for them on their claims of common law fraud and unjust enrichment.

Believing that the district court had determined inventorship using standards inconsistent with patent law, the Federal Circuit in 1999 vacated all the awards and remanded with directions to apply the federal patent law inventorship standard. Cyanamid's petition for rehearing on the preemption issue was denied, and Cyanamid chose not to petition for *certiorari*.

On remand, Cyanamid stipulated that the district court should determine inventorship based on the existing record. *See* Pet. App. 20a. In July 2000, applying the federal patent law standards of proof, the district court again found by clear and convincing evidence that the doctors were the true inventors of the '634 invention. It found that Ellenbogen and Cyanamid had tortiously misappropriated the confidential manuscript to fraudulently obtain the '634 Patent, and that Cyanamid had reaped tens of millions of dollars by aggressively enforcing the patent to prevent its competitors from using the University doctors' invention.

The patent expired during the protracted pendency of this litigation. Pet. App. 189a.

D. The award of equitable remedies for unjust enrichment.

As directed by the Federal Circuit in that court's 1999 decision, the district court determined Cyanamid's unjust enrichment by calculating the incremental profit (less costs) from the sale of Materna attributable to the right to exclude generic competition that Cyanamid gained from the '634 Patent. It expressly ruled that it was only awarding profits attributable to Cyanamid's use of the '634 Patent to exclude competition, and that it was not awarding profits Cyanamid would have made from merely using the '634 invention. In determining the unjust enrichment

remedy, the court relied upon the analysis and calculations performed by Professor Daniel Rubinfeld, whose analysis the court found to be credible, persuasive and conservative. Pet. App. 22a-23a.

The district court limited the unjust enrichment remedy to patent-related incremental profits on domestic sales of Materna during a ten-year period – from February 1984, when the '634 Patent issued, through 1994, when Cyanamid stopped enforcing the patent after commencement of this action. Pet. App. 22a. The court specifically found that the unjust enrichment remedy of $23,243,228 conservatively and properly excluded amounts Cyanamid expended for "production, marketing, distribution and other variable costs associated with the manufacture and sale of [Materna] under the '634 Patent." Pet. App. 47a-48a.

The court also awarded alternative equitable remedies and damages, which the University doctors had requested in their complaint. The court found that the University doctors were equitable title holders of the '634 Patent under § 256 and that this constituted a separate and independent ground for requiring Cyanamid to disgorge its patent-related incremental profits. These profits were awarded in the alternative, the court stated, because the amount of these profits was identical to, and therefore duplicative of, the remedy it awarded under Colorado unjust enrichment law. As an additional alternative award, the court found that the University doctors had suffered damages as a result of Cyanamid's fraud. The court ruled, however, that the damages were subsumed within the unjust enrichment remedy and accordingly declined to award fraud damages except as an alternative remedy. *See generally* Pet. App. 73a-80a.

The Federal Circuit affirmed the district court's findings and the award under Colorado unjust enrichment law. Accordingly, the Federal Circuit found it unnecessary to consider the alternative awards. Pet. App. 23a.

REASONS FOR DENYING THE PETITION

I. Cyanamid misapprehends this Court's approach to patent law preemption.

In arguing for a result – any result – that would permit it to escape the facts of this case and avoid any consequence for its misconduct, Cyanamid urges a remarkable, schizophrenic approach to patent preemption. On one hand, Cyanamid suggests that Congress' enactment of the Patent Act preempted the field of invention, displacing all state laws – or at least their remedies – proscribing torts and other misconduct relating to inventions. *See* Pet. 9, 18. On the other hand, Cyanamid appears to recognize that this Court has rejected the argument that the Patent Act preempts the field of invention, and argues that fraud and unjust-enrichment remedies "conflict" with the Patent Act. *See* Pet. 17. There is no such confusion in this Court's patent law preemption jurisprudence.

A. As this Court has held for nearly half a century, the Patent Act does not preempt the field of invention.

Whether the states are forbidden to act at all in the area of protection of intellectual property is not an open question. That question was answered decisively – and adversely to Cyanamid – in the landmark patent preemption case, *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 479 (1974), which held that the Patent Act does not preempt state trade secret laws:

> Just as the States may exercise regulatory power over writings so may the States regulate with respect to discoveries. States may hold diverse viewpoints in protecting intellectual property to invention as they do in protecting the intellectual property relating to the subject matter of copyright. The only limitation on the States is that in regulating the area of patents and copyrights they do not conflict with the operation of the laws in this area passed by Congress. . . .

If a state law is "not incompatible"[1] with – if it "advance[s]"[2] – the goals of federal patent law, the state law is subject to "[n]either complete nor partial pre-emption," 416 U.S. at 492, under the federal patent laws. The *Kewanee Oil* Court observed that state law protecting trade secrets and federal patent law "have co-existed in this country for over one hundred years" and "Congress, by its silence over these many years, has seen the wisdom of allowing the States to enforce trade secret protection." *Id.* at 493.

In *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979), the Court again underscored that Congress did not intend the Patent Act to occupy the field of invention:

> State law is not displaced merely because the contract relates to intellectual property which may or may not be patentable; the states are free to regulate the use of such intellectual property in any manner not inconsistent with federal law. In this as in other fields, the question of whether federal law pre-empts state law involves a consideration of whether that law stands as an

---

[1] *Id.* at 484.

[2] *Id.* at 487.

> obstacle to the accomplishment and execution of the full purposes and objectives of Congress. If it does not, state law governs.

440 U.S. at 262 (internal quotation marks and citations omitted).

Cyanamid's avoidance of any serious analysis of patent law preemption cases is emblematic of the problems with its approach to patent law preemption. Since 1964, this Court has decided five patent preemption cases: *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964); *Kewanee Oil*; *Aronson;* and *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989). Cyanamid ignores *Sears* and *Compco*. Devoting one sentence each to *Kewanee Oil* and *Aronson*, Cyanamid dismisses both as irrelevant. Pet. 17. It finds only *Bonito Boats* useful.

This approach to the Court's preemption cases blinds Cyanamid to the Court's consistent, decades-long application of the same patent law preemption principle: there is no preemption unless there is *conflict* between state law and federal patent law. *See Sears*, 376 U.S. at 232 ("Doubtless a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled. . . ."); *Compco,* 376 U.S. at 238 ("A State of course has power to impose liability upon those who . . . deceive the public by palming off their copies as the original."); *Kewanee Oil*, 416 U.S. at 492 ("Neither complete nor partial pre-emption of state trade secret law is justified."); *Aronson*, 440 U.S. at 265 ("Our holding in *Kewanee Oil Co.* puts to rest the contention that federal law pre-empts and renders unenforceable the contract made by these parties.").

Even if it were appropriate for Cyanamid to quarantine *Bonito Boats* from the Court's other patent law

preemption cases, Cyanamid would gain no advantage: the Court in *Bonito Boats* expressly "reaffirmed the pragmatic approach which *Kewanee* takes to the pre-emption of state laws dealing with the protection of intellectual property," and specifically embraced each of the cases Cyanamid dismisses as irrelevant – *Kewanee Oil*, *Aronson*, *Sears* and *Compco*. 489 U.S. at 156. The *Bonito Boats* Court specifically recognized that states have the authority to regulate "tortious appropriation of private information." 489 U.S. at 154.

An award of restitution for unjust enrichment is not "patent-like" in any meaningful sense. The judgment in this case does not create a transferable property right, as a patent would. It gives the University doctors no rights whatsoever against third parties, as a patent would. It gives them no rights to injunctive relief, or treble damages, or attorneys fees, as a patent would. 35 U.S.C. §§ 283, 284 & 285 (2000). It does not even give them the right to stop Cyanamid, the fraudfeasor, from using the invention.

Cyanamid suggests that the size of the judgment says something about the need for patent field preemption because, it argues, the University doctors received an award greater than would have been available under the Patent Act. Cyanamid is incorrect. Had the University doctors obtained a patent, they would have been entitled to a host of remedies that the award did not provide – injunctive relief, § 283; treble damages for willful infringement, § 284; attorney fees, § 285; and orders excluding patented goods from the United States, 19 U.S.C. § 1337 (2000). Further, the University doctors would have been entitled to relief not just against Cyanamid, who stole and then patented the invention, but against anyone who used the invention. By choosing not to file for patent protection, the University doctors gave up these remedies.

B. This case presents no conflict between state law and federal patent law.

In Cyanamid's expedition to enlarge federal preemption so that it swallows venerable common law torts and remedies available in all 50 states, Cyanamid seizes upon the term "patent-like protection" from *Bonito Boats* and – untethering the term from its context – argues that it means no state law remedy may be applied in the presence of an invention. This is an extraordinary reading of *Bonito Boats*, one that finds no support in this Court's preemption cases, or in *Bonito Boats* itself.

The Court in *Bonito Boats* employed the term "patent-like protection" in reiterating the central lesson of the very patent preemption cases Cyanamid waves off: "'[S]tates are free to regulate the use of . . . intellectual property in any manner not inconsistent with federal law.'" 489 U.S. at 156 (quoting *Aronson*, 440 U.S. at 262). The converse of the lesson also is true, the Court said: states may not "substantially interfere[] with the enjoyment of an unpatented utilitarian or design conception which has been freely disclosed by its author to the public at large," because such interference "contravenes the ultimate goal of public disclosure and use which is the centerpiece of federal patent policy." *Id.* at 156, 157. The Court in *Bonito Boats* "reaffirmed" both parts of the preemption lesson. *Id.* at 156, 157.

To recite the lesson is to refute Cyanamid's preemption argument and, indeed, to demonstrate that this case has little to do with preemption at all. In the first appeal, the Federal Circuit, believing that the trial court had determined inventorship of the '634 technology under a standard less than that imposed by the Patent Act, vacated the judgment and remanded with express direction that the trial court was to apply the federal patent law

standard of inventorship. On remand, the trial court expressly applied the federal patent law standard of inventorship, on which Cyanamid and the University doctors agreed. Using that standard, the trial court again found by clear and convincing evidence that the University doctors were the sole and true inventors. Moreover, the court found again that the University doctors had intended to allow the invention to pass into the public domain – available for use by anyone – and that Cyanamid intercepted the invention on its way to the public domain, claimed the invention as its own, fraudulently obtained the '634 Patent, and wielded the patent monopoly to exclude all others from using the invention. Only after the trial court made these findings did it award remedies permitted under Colorado law for fraud and unjust enrichment.

In short, the trial court applied federal patent laws to determine inventorship, found that the University doctors – not Cyanamid – were the inventors, and then awarded federal patent law *and* state-law remedies premised on those patent law-based findings. None of these findings, or the consequences flowing from them, disturbed any principle of patent law.

The question presented to the trial court and the Federal Circuit – and now to this Court – is whether the award of state-law remedies on these unique facts "substantially interferes with the enjoyment of an unpatented [invention] which has been freely disclosed by its author to the public at large," *Bonito Boats*, 489 U.S. at 157 – whether, in short, awarding remedies under the Colorado common law of fraud and unjust enrichment "contravenes the ultimate goal of public disclosure and use which is the centerpiece of federal patent policy," *id.*

As this question illustrates, Cyanamid has the preemption lesson exactly backwards. It was the *University doctors* who "freely disclosed" their invention to the public, and it was *Cyanamid* – not state law – that "substantially interfered with the [public's] enjoyment of an unpatented . . . conception." The Patent Act would preempt a state law *immunizing* a tortfeasor like Cyanamid, because such a state law would "creat[e] patent-like rights" and "essentially redirect inventive efforts away from the careful criteria of patentability developed by Congress," *id.* at 141. If anything, the Patent Act *encourages* – it certainly does not preempt – state laws that remedy the theft of inventions proceeding to the "public at large" for its free use, that contribute to the protection of an inventor's "right to control whether and when he may patent his invention,"[3] and that disgorge and deter thieves from such mischief.

That the thief subsequently avails itself fraudulently and perjuriously of the federal patent laws as part of its tortious scheme creates no conflict in the respective pursuits of the federal and state sovereigns. So long as litigants can prove under the Patent Act, as the University doctors did, that they conceived the invention stolen, the thief must find refuge in some place other than the preemption doctrine.

Kewanee Oil bears on this subject. The question in that case was whether state laws maintaining unpatented or nonpatentable trade secrets conflict with the objectives of the Patent Act. Noting that trade secret protection punishes breaches of confidence and "theft and other forms of industrial espionage," 416 U.S. at 484, the Court held that preemption of state trade secret law "cannot be

---

[3] *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 65 (1998).

justified by reference to any policy that the federal patent law seeks to advance," *id.* at 487:

> Nothing in the patent law requires that States refrain from action to prevent industrial espionage. In addition to the increased costs for protection from burglary, wire-tapping, bribery, and the other means used to misappropriate trade secrets, there is the inevitable cost to the basic decency of society when one firm steals from another. A most fundamental human right, that of privacy, is threatened when industrial espionage is condoned or is made profitable; *the state interest in denying profit to such illegal ventures is unchallengeable.*

Id. (footnote omitted; emphasis supplied); *see Bonito Boats*, 489 U.S. at 157 (noting that preemption doctrine leaves intact the "law of unfair competition," which "has its roots in the common-law tort of deceit").

The distance between this case and any preemptive conflict with the Patent Act is amplified by the very state-law remedies Cyanamid says requires preemption. In *Kewanee Oil*, the plaintiff brought a diversity action against its former employees seeking injunctive relief and damages for the misappropriation of trade secrets in violation of Ohio law. The district court issued a permanent injunction against the former employees "until such time as the trade secrets had been released to the public, had otherwise generally become available to the public, or had been obtained" legally by the former employees. *Id.* at 473-74. The Sixth Circuit reversed, reasoning that the permanent injunction improperly granted monopoly protection to the plaintiff for unpatented processes and techniques. This Court reversed and held that Ohio's trade secret law was not preempted. It found unobjectionable

the permanent-injunction remedy afforded under Ohio law.

Nor would an award of restitution for unjust enrichment arouse any conflict with the decision Cyanamid entrusts with its fate, *Bonito Boats*, since neither the state-law claims nor the relief awarded to the University doctors "remove[d] existent knowledge from the public domain, or . . . restrict[ed] free access to materials already available," *Bonito Boats*, 489 U.S. at 146 (internal quotations omitted). Indeed, as noted above, the only source of interference with the public's "free access" to the University doctors' invention was Cyanamid itself, which wielded its perjuriously obtained patent to secure its own injunctive relief against generic competitors and to bar all others from using the doctors' invention.[4]

Cyanamid's last effort to manufacture a conflict between the patent laws and Colorado law is its argument

---

[4] In pressing its "remedies field preemption" contention that the University doctors are limited to the "exclusive remedies" afforded under the Patent Act, Cyanamid quotes a National Labor Relations Act case for the proposition that "'conflict is imminent whenever two separate remedies are brought to bear on the same activity.'" Pet. 18 (quoting *Wisconsin Dep't of Indus., Labor & Human Relations v. Gould, Inc.*, 475 U.S. 282, 286 (1986)).

Cyanamid's qualification of the *Gould* quotation – that it is found in "a different context," *id.* – fails to acknowledge that the NLRA imposes substantially broader preemption than permitted under the Patent Act. Immediately before the language quoted by Cyanamid, the *Gould* Court observed that "[i]t is by now a commonplace that in passing the NLRA Congress largely displaced state regulation of industrial relations" and in general "*States may not regulate activity that the NLRA protects, prohibits, or* ***arguably*** *protects or prohibits.*" 475 U.S. at 286 (emphasis supplied). However, this Court has recognized that in passing the Patent Act Congress adopted a preemption approach dramatically different from the NLRA's approach.

that the unjust enrichment award is improper because the University doctors "abandoned their right to claim patent protection" and, when they commenced this action in 1993, were precluded under § 102(b) from obtaining a patent. Pet. 12, 13. This argument is the product of Cyanamid's misunderstanding of the interaction of the patent laws and state law.[5] As *Pfaff* holds, an inventor has the exclusive "right to control whether and when he may patent his invention," 525 U.S. at 65. That he chooses not to patent but to "freely disclose[ ]"[6] his invention to the public for its free use does not confer upon a tortfeasor like Cyanamid a corollary right to undo his choice by stealing the invention, patenting it as its own, and *barring* the public from its free use. Nor does the inventor's choice and the tortfeasor's defeasance of it either leave the inventor remediless under state law or immunize the tortfeasor's misconduct under federal law. This is the central lesson of the Court's patent preemption cases.

Aronson disposes of Cyanamid's argument that the absence of action by the doctors to obtain a patent somehow forecloses relief under state law. In that case, Quick Point entered into a licensing contract with Aronson while her patent application was pending. After the application was denied, Quick Point sued to void the contract on the ground it was preempted by the Patent Act. This Court

---

[5] It also ignores the facts. The district court found that Cyanamid deliberately concealed its misconduct from the University Doctors for nearly a decade. Pet. App. 94a-95a & n.5. Since they did not know Cyanamid had fraudulently obtained a patent on their invention, the doctors would not have known that they needed to avail themselves of any of the patent law remedies Cyanamid now claims the doctors should have used against it.

[6] *Bonito Boats*, 489 U.S. at 157.

rejected the preemption argument – directly analogous to Cyanamid's – that state contract law and its remedies "extend[ed] perpetual protection" to inventions too lacking in novelty to merit a patent under federal law. 440 U.S. at 263. Requiring Quick Point to pay money as required under the contract, the Court held, "is even less offensive to federal patent policies than state law protecting trade secrets." *Id.* at 266.

The Court's patent law preemption cases – all of them, including *Bonito Boats* – make clear that this case has little to do with preemption. Rather, it concerns the application of "unchallengeable"[7] state law to tortious misconduct that historically has been the province of the states to deter and remedy: fraudulent misconduct leading to a tortfeasor's unconscionable unjust enrichment. Contrary to Cyanamid's characterization of this case as one concerning "conflict" between federal and state laws, in fact it is one showcasing the "harmonious[]"[8] interaction of federal and state laws to achieve a just and equitable consequence.

II. The existence of other patent remedies is irrelevant.

Cyanamid attempts to bolster its misguided argument that patent law preempts the field by pointing to various "remedies" it says the University doctors had under patent law. Pet. 19-21. Conveniently for Cyanamid, on its reading, none of the patent remedies actually requires Cyanamid to be called to account for its misdeeds.

---

[7] *Kewanee Oil*, 416 U.S. at 487.

[8] *Bonito Boats*, 489 U.S. at 142.

All but one of Cyanamid's proposed remedies result in no more than the revocation or invalidation of the now-expired patent. Not surprisingly, Cyanamid's proposed "remedies" allow Cyanamid to keep its ill-gotten gains, with this effect: Not only would they give Cyanamid no consequence and the doctors no meaningful remedy, but they also would encourage tortfeasors to impair the patent law's "goal of public disclosure," *Bonito Boats*, 489 U.S. at 157.

Cyanamid's argument is part of an elaborate shell game when it comes to accountability for its misdeeds. In opposing the unjust enrichment judgment, it argues that § 256 provides an adequate remedy for those whose invention has been stolen and patented. Pet. 21. But when faced with the fact that the district court supported its unjust enrichment judgment on precisely those alternative grounds, it reverses field and argues that § 256 actually provides no disgorgement or accounting remedy at all. Pet. 24-26. Similarly, Cyanamid argues that copyright law provides an adequate remedy for its theft of the University doctors' confidential manuscript, Pet. 17 n.6, but neglects to disclose that Cyanamid itself successfully argued to the Federal Circuit in 1999 that its ill-gotten gains were attributable to the patent and not to copyright infringement, with the result that the court found Cyanamid liable for copyright infringement, but awarded no damages on that claim. This Court denied respondents' request for *certiorari* on that issue. *See University of Colo. Found., Inc. v. American Cyanamid Co.*, 529 U.S. 1130 (2000). At every turn, Cyanamid seeks to avoid being called to account for its misbehavior by pointing to an alternate remedy. When the University doctors seek to invoke that alternate remedy, Cyanamid insists it is not really a remedy after all.

In any event, Cyanamid's entire argument about the existence of patent remedies misses the mark. Because patent law does not preempt the field of invention, the question is not whether the patent remedies are exclusive – they are not – but whether the equitable remedy of unjust enrichment conflicts with the purposes of the federal patent laws. As noted above, there is no such conflict, and Cyanamid demonstrates none. As a result, the existence of other federal remedies, even if they were adequate, is irrelevant to the question of preemption.

III. The judgment is entirely fair, and is consistent with the policies of unjust enrichment.

Cyanamid complains repeatedly about the size of the judgment in this case, arguing that the University doctors received "more than they could have achieved through patent ownership." Pet. 14.

This argument puts the shoe on the wrong foot. The district court found that Cyanamid hijacked an invention bound for the public domain for free use by anyone, falsely claimed the invention as its own, fraudulently and perjuriously secured a patent on the invention, aggressively enforced the patent to preclude all others from using the University doctors' invention and, as a result, reaped tens of millions of dollars in profit.

If it is true the University doctors received "more than they could have achieved through patent ownership,"[9] so too did Cyanamid receive more than it could have if it had not committed its theft. Indeed, the restitutionary remedy

[9] Nothing in the record substantiates this assertion as fact.

of disgorgement the district court awarded was a purposeful calculation of the amount by which Cyanamid profited, not from the *use* of the invention but from the *exclusionary* benefit – the "exclusive monopoly," *Pfaff*, 525 U.S. at 63 – it achieved through its own misconduct.

The goal of unjust enrichment is not to compensate a plaintiff for its losses. Legal remedies are adequate to do that. Rather, under the equitable principle of unjust enrichment, a wrongdoer who has been unjustly enriched must make restitution to the harmed party:

> Restitution, which seeks to prevent unjust enrichment of the defendant, differs in principle from damages, which measure the remedy by the plaintiff's loss and seek to provide compensation for that loss. As a consequence, "in some cases the defendant gains more than the plaintiff loses, so that the two remedies may differ in practice as well as in principle."

EarthInfo, Inc. v. Hydrosphere Resource Consultants, Inc., 900 P.2d 113, 118 (Colo. 1995) (quoting 1 Dan B. Dobbs, *Law of Remedies* § 4.1(1), at 555, 557 (2d ed. 1993)). Thus, in crafting an unjust enrichment remedy, the issue is not what losses the University doctors incurred; rather, the issue is how much Cyanamid gained by its misconduct. *See EarthInfo*, 900 P.2d at 118. This Court is no stranger to these well-established restitutionary principles:

> [W]here the defendant received more than the seller's actual loss . . . damages are the amount of the defendant's profit. This alternative standard aims at preventing the unjust enrichment of a fraudulent buyer, and it clearly does more than simply make the plaintiff whole for the economic loss proximately caused by the buyer's fraud. Indeed, the accepted rationale underlying this alternative is simply that it is more appropriate to give the defrauded party the benefit even of

> windfalls than to let the fraudulent party keep them.

Randall v. Loftsgaarden, 478 U.S. 647, 663 (1986) (internal quotation marks and citations omitted).

Under Colorado law, the trial court has discretion to fashion an appropriate remedy for unjust enrichment. *See EarthInfo*, 900 P.2d at 118. The Colorado Supreme Court has specifically concluded that it is within a trial court's discretion to require a serious wrongdoer to disgorge profits, because it would be inequitable to permit such a wrongdoer to retain any profit from its misconduct. *Id.* Applying Colorado law, and based on its findings of Cyanamid's extreme culpability, the district court ordered Cyanamid to disgorge the incremental Materna profits attributable to the right to exclude competition. Cyanamid did not on appeal, and it does not now, contend that the trial court abused its discretion in awarding disgorgement.

The unjust enrichment award is entirely appropriate under Colorado law and, as the district court found, "conservative." Having stolen with impunity for so long and so well, Cyanamid's complaint that it is being required to disgorge its ill-gotten gains hardly raises an issue requiring review by this Court.

IV. This is not a proper case for *certiorari* review.

A. The district court awarded unjust enrichment alternatively under state and federal law.

Any ruling on the preemption question would not affect the outcome of this case. In addition to awarding the University doctors unjust enrichment under Colorado law, the district court alternatively awarded unjust enrichment based on its conclusion that the University doctors were

the equitable title owners of the patent under § 256.[10] In *Arachnid, Inc. v. Merit Industries, Inc.*, 939 F.2d 1574, 1580 (Fed. Cir. 1991),[11] the Federal Circuit held that equitable title owners are entitled to "full redress" for infringement on that title, including by means of accounting, constructive trust, or other equitable remedies. 939 F.2d at 1580. In the case at bar, the Federal Circuit did not reach this ground, but equitable title provides an independent basis for affirming the judgment.

Cyanamid argues that this Court should reverse the district court's alternative award of unjust enrichment under federal law, limiting § 256 to correcting inventorship prospectively, and stripping federal courts of their historic power to provide equitable relief notwithstanding the egregious unjust enrichment of a defendant like Cyanamid. In short, Cyanamid would have this Court turn § 256 into just another rule permitting Cyanamid to keep what it stole.

The premise for Cyanamid's argument is its mistaken belief that an unjust enrichment award is "money damages for patent infringement," Pet. 24. As this Court has recognized, equitable relief, such as a restitutionary award under unjust enrichment principles, does not become "damages" simply because the relief requires a defendant to pay monies to the plaintiff. *See, e.g., Great-West Life & Annuity Ins. Co. v. Knudson*, 534 U.S. 204, 213-214 (2002) ("[A] plaintiff could seek restitution in equity, ordinarily in the form of a constructive trust or an equitable lien, where

---

[10] In addition to alternative awards of unjust enrichment under state and federal law, the district court also alternatively awarded fraud damages. Pet. App. 23a.

[11] *Suggestion for rehearing en banc denied* (Fed. Cir. 1991).

money or property identified as belonging in good conscience to the plaintiff could clearly be traced to particular funds or property in the defendant's possession."); *Chauffeurs, Teamsters & Helpers, Local No. 391 v. Terry*, 494 U.S. 558, 570 (1990) (same).

Cyanamid cites *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 505 (1964), for the proposition that damages for patent infringement do not include disgorgement of profits. *Aro* is off point. First, unlike *Aro*, the case at bar is not a patent infringement case. Second, merely because the Patent Act does not authorize a patentee to recover disgorgement from third parties in infringement proceedings does not compel a conclusion that the Act denies traditional forms of equitable relief to one whose invention was stolen and patented by another. It is perfectly reasonable that an inventor's equitable rights against intentional theft of an invention should be broader than a patentee's property rights against a potentially innocent infringer.

Irrespective of the merits of awarding equitable relief to an equitable titleholder, this would be a peculiar occasion for the Court to exercise its *certiorari* jurisdiction. As Cyanamid acknowledges, the Federal Circuit below did not pass on this alternative ground for an unjust enrichment award. The lower courts have addressed substantively the issue of equitable relief available to an equitable titleholder on two occasions: the District Court for the Northern District of Ohio in 1957 (*Papazian v. American Steel & Wire Co.*, 155 F. Supp. 111), and the Federal Circuit 13 years ago in *Arachnid*. Although both courts held that equitable relief was available, in neither case did the courts actually award equitable relief. That there is little here for the Court to "review" is sufficient ground for denying *certiorari*. *See McCray v. New York*, 461 U.S. 961,

963 (1983) (Stevens, J., joined by Powell and Blackmun, JJ., on denial of *certiorari*: "I believe that further consideration of the substantive and procedural ramifications of the problem by other courts will enable us to deal with the issue more wisely at a later date.")

Moreover, while the district court below awarded such equitable relief, it was an alternative to an award based on independent state-law grounds. As Cyanamid's arguments suggest, there is substantial constitutional ground – from a number of perspectives – to cover in any policy debate over the holdings of *Papazian* and *Arachnid*, but the absence of the Federal Circuit's expertise and experience in this debate virtually ensures that the debate would be neither full nor fruitful.

Its arguments notwithstanding, Cyanamid all but concedes the inappropriateness of this Court's *certiorari* intervention in suggesting that this Court "remand" the § 256 issue to the Federal Circuit to consider "in the first instance." Pet. 23. But the suggestion itself underscores the inappropriateness of the exercise of this Court's jurisdiction at all: to enable Cyanamid to present an issue worthy of *certiorari* review, it must first persuade this Court to radically enlarge patent law preemption at the expense of the states' traditional police powers and it must also convince this Court to "remand" the § 256 equitable title issue to the Federal Circuit. Based on the Federal Circuit's future review of § 256 remedies, Cyanamid might then file another petition for *certiorari*. It is a remarkably inchoate and circuitous basis for invoking the Court's jurisdiction.

B. This case does not present an inter- or intra-circuit split, or even an issue of continuing importance.

There is no conflict in the preemption rules applied in the courts of appeal in this case. Indeed, as Cyanamid itself notes, Pet. 22-23, the decision in this case did not break new ground in refusing to preempt state law causes of action.[12] Rather, it was consistent with a long line of Federal Circuit precedents, including *Dow Chemical Co. v. Exxon Corp.*, 139 F.3d 1470 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1138 (1999), and *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1143 (1999). The Federal Circuit's actual ruling on preemption in this case came not in its 2003 opinion, but in its 1999 opinion. Pet. App. 135a. The fact that this case is consistent with a long line of precedents from the Federal Circuit suggests there is no need for this Court to intervene.

Cyanamid warns that permitting inventors to obtain equitable relief under state law will "throw a new shadow of retrospective insecurity" over the rights of "vast numbers of patentees." Pet. 22. This case presents no such risk. First, Cyanamid's argument is inconsistent with its acknowledgment that the Federal Circuit has been deciding preemption cases the same way for years. If the sky were to fall, as Cyanamid warns it will, one would expect it to have fallen. The fact that Cyanamid can point to no flood of state tort litigation over patent inventorship suggests the risk it identifies is minimal, if not imaginary.

---

[12] No member of the Federal Circuit voted to grant Cyanamid's petition to rehear this case *en banc*.

Second, the Federal Circuit has imposed strict legal standards on claims of incorrect inventorship, requiring that those who claim to be inventors prove their case with clear and convincing evidence and provide evidentiary corroboration of their claims. *See, e.g.*, Pet. App. 135a. The high bar imposed by these standards ensures that only the truly egregious case involving theft and serious fraud – such as this one – will be subject to unjust enrichment liability. Those cases are rare – and will continue to be – so long as this Court permits lower courts to craft adequate remedies, as was done in this case.

C. The preemption issue is not squarely presented.

Although preemption is now the central basis upon which it seeks *certiorari*, Cyanamid put so little stock in its preemption theory that it failed to plead preemption as an affirmative defense. Pet. App. 195a. As a result, the district court declined to consider Cyanamid's preemption argument when it was presented for the first time in a motion to reconsider the court's summary judgment ruling permitting the state-law claims to proceed to trial. Pet. App. 197a.

The law of the case doctrine also undermines Cyanamid's request for *certiorari* review. *Cf. Agostini v. Felton*, 521 U.S. 203, 236 (1997). In its first appeal to the Federal Circuit in 1999, Cyanamid argued that federal patent laws preempted the state-law claims because state law could not "protect" a publicly disclosed, unpatented invention. The Federal Circuit rejected the argument. Pet. App. 140a. In its 1999 rehearing petition, Cyanamid argued that

rehearing should be granted because the decision "perpetuated, and indeed furthered, the district court's improper damages analysis by suggesting that if plaintiffs can establish themselves as 'inventors' [under] federal patent law standards, they may be entitled to damages for state law claims . . . – a patent-like remedy that is preempted." The Federal Circuit denied the petition. Cyanamid did not seek *certiorari* review of the 1999 decision. Accordingly, the decision became the law of the case.

Cyanamid again committed a procedural default in its 2003 appeal to the Federal Circuit. In its entire 62-page opening brief, Cyanamid devoted two paragraphs to preemption. It argued only that the common law awards should be preempted because they afforded "patent-like protection" "in the form of damages" for the value of unpatented intellectual property. Cyanamid did not argue that the patent laws preempt state laws such as unjust enrichment. Cyanamid's actions militate against *certiorari* review. *See, e.g., Davis v. United States*, 495 U.S. 472, 489 (1990) ("Because this argument was neither raised before nor decided by the Court of Appeals, we decline to address it here.").

Cyanamid seeks *certiorari* review to advance a patent preemption argument that would effect a sea change in this Court's decades-long approach to concurrent state and federal protection of intellectual property. Cyanamid's ambition, however, is unmatched by the lead-up to its petition: Cyanamid repeatedly turned down opportunities to properly assert the defense it now claims is worthy of this Court's attention. As a result, its argument is not squarely presented to this Court.

CONCLUSION

This Court should deny the petition.

Respectfully submitted,

MARK A. LEMLEY
Counsel of Record
KEKER & VAN NEST, L.L.P.
710 Sansome Street
San Francisco, CA 94111-1704
(415) 391-5400

HAROLD A. HADDON
SASKIA A. JORDAN
TY GEE
HADDON, MORGAN, MUELLER,
JORDAN, MACKEY &
FOREMAN, P.C.
150 East 10th Avenue
Denver, CO 80203
(303) 831-7364

ROBERT N. MILLER
STEPHANIE E. DUNN
PERKINS COIE LLP
1899 Wynkoop Street,
Suite 700
Denver, CO 80202
(303) 291-2300